McBork Quarterly Report 4th Q 2020 11/25/2020

Two significant events occurred early in November that put the S&P 500 Index on pace to have one of its best monthly returns in the last seventy years, in spite of the all-time high in the number of COVID cases and subsequent deaths.

The first was the election. With Joe Biden as President -Elect and control of the Senate potentially remaining with the Republicans, the market rose. The rationale behind some of the rise was (a) the assumption that there would be no tax increases on corporations, a major benefit to them; and (b) the potential that the trade war and rhetoric with China might calm down a little bit.

The other was positive feedback from vaccine clinical trials with very high success rates. This has led to the expectation that mass amounts of vaccination doses will be available to the public sometime in early summer next year. With that news the stock market rallied – especially value stocks that had been beaten down over the last eight months. The Morningstar US Large Value Index is up 22% for the month, while the Morningstar US Large Growth Index is only up 5%. This was not surprising; in fact I had mentioned this exact scenario in the last McBork report.

For the year, the S&P 500 Index, which tracks large US companies, is now up 12.5%. To give you some perspective of the move, so far in November, the S&P 500 Index is up 11.2%, which is the sixth best monthly return in the last seventy years. The Russell 2000 Index, which tracks small-cap companies is up an astonishing 20.5% for the month, which is the best monthly return of all-time and now is up 11.1% for the year. The MSCI EAFE Index which tracks international markets is up 4.1% for the year. Just like the other indices, it has done well this month and is up 9.7%.

For bonds, the Barclays Aggregate Bond Index is up 7.2% for the year, and about 0.8% for the month. We do not expect to see interest rates increase in 2021 since, for the first half of the year, the economy will still be dealing with the pandemic. I would not be surprised if bond returns in 2021 will be lower than this year.

With all of this being said, I expect volatility in the indices to continue. The next steps for the markets are to (a) start trying to decipher how the pandemic will change the landscape of employees working from home or in a hybrid capacity and how this will reshape consumer spending and confidence, and (b) identify how we grapple with our growing debt and deficits on a local, state, and national level. All of this will take some time.

We continue to recommend being cautious in this market environment. If you have any questions or concerns, please reach out to me. Have a wonderful Thanksgiving and a happy holiday season.

Sincerely,

Gregory Bork Jr.
LPL Financial Registered Principal

Some year-end household financial reminders:

(1) They have waived 2020 **Required Minimum Distributions** for the year.

(2) At the end of each year many clients make **gifts of appreciated assets** to charitable organizations from their non-retirement accounts. The charity receives the same benefit as they would have obtained if you were to have written a check, but you avoid paying the capital gains tax on the appreciated asset. Please let us know **by December 9th** if you wish to gift appreciated assets in 2020 or if you have any questions on gifting.

(3) Remember that **Traditional and Roth IRA** contributions may still make sense. While there are income limits on the amounts that you can contribute as well as limits on participation for participants in employer-sponsored plans, many individuals are wise to do so before the April 15, 2021 deadline for 2020 tax year contributions. For example, some individuals over 50 may place up to $7,000 into Traditional or Roth IRA while the comparable limits for individuals under 50 is $6,000. Please call if you would like to discuss the advisability of making IRA or Roth contributions.

(4) **For 2021,** the IRS has **maintained the contribution limits on 401k and 403b plans** at $19,500. The age 50 catch-up contribution limit still remains at $6,500. So, if you are over 50, you can make $26,000 in salary deferrals. **SIMPLE IRA** plans also maintained their contribution limit to $13,500 and the age 50 catch-up contribution remains at $3,000.

(5) Estate Planning –With possibly having a few days off during the holiday season, it might make sense to dust off old **Wills, Powers of Attorney (POA), and/or Trusts** and review them to make sure nothing should be changed. If you do not have a will or POA, please let us know and we can talk to you about this.

(6) Quick reminder to those of you with **high school/college students or young adults** in your life itching to learn more about the world of money and investment: We are happy to set up a video conference meeting with your children and grandchildren to offer them “Investments 101.” Winter break provides a great opportunity for such a briefing. Just give us a call and we will make the connection.

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This information is not intended to be a substitute for specific individualized tax or legal advice. We suggest that you discuss your specific situation with a qualified tax or legal advisor.

There is no guarantee that a diversified portfolio will enhance overall returns or outperform a non-diversified portfolio. Diversification does not protect against market risk.

Contributions to a traditional IRA may be tax deductible in the contribution year, with current income tax due at withdrawal. Withdrawals prior to age 59 ½ may result in addition in a 10% IRA penalty tax in addition to current income tax. The Roth IRA offers tax deferral on any earnings in the account. Withdrawals from the account may be tax free, as long as they are considered qualified. Limitations and restrictions may apply. Withdrawals prior to age 59 ½ or prior to the account being opened for 5 years, whichever is later, may result in a 10% IRS penalty tax. Future tax laws can change at any time and may impact the benefits of Roth IRAs. Their tax treatment may change.